PENNSYLVANIA CHAMBER OF BUSINESS AND INDUSTRY

Setting THE record straight

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Commonwealth's 'middle-of-the-road' status needs work

In a little less than a month, Gov. Ed Rendell will present his 2008-09 budget priorities for the Commonwealth. Job creators can only hope that those priorities will reflect a desire to make Pennsylvania more competitive among other states in economic growth and business friendliness. To date, much of the administration's emphasis has been on taxing, spending, borrowing and mandating the Commonwealth into prosperity – a philosophy that continues to leave the state lagging the rest of the nation in too many critical areas.

Pennsylvania, we have a problem

In a 21st century economy, it's not enough to measure Pennsylvania's progress against itself. What matters is how well the Commonwealth compares to the other 49 states with which it competes. The former might make better PR for policymakers who support Harrisburg's misplaced priorities, but the latter paints a truer picture of how Pennsylvania measures up – which, all things considered, is not so good. True, the Commonwealth rates more favorably in some areas, for example, Personal Income Tax burden, but in many key competitiveness factors, Pennsylvania's poor performance pulls down its overall appeal as a place that is welcoming to business.

Pennsylvania received low marks in a recent competitiveness rating of the 50 states. According to an American Legislative Exchange Council study, Pennsylvania ranked 44th for economic performance (based on personal income growth per capita, absolute domestic migration and non-farm payroll employment). In the same study, the Commonwealth ranked 37th for Economic Outlook (based on an equal-weighted average of 16 state policy variables).

Adding insult to injury, in a Dec. 10 *Wall Street Journal* article, the study's authors made it a point to single out Pennsylvania and four other states as non-competitive states with "antigrowth tax and spending policies."

And according to the U.S. Department of Commerce's Bureau of Economic Analysis, from 2005 to 2006, Pennsylvania's Gross Domestic Product grew at only half the rate of the U.S. average – 1.7 percent compared to 3.4 percent. Pennsylvania's ranking among the nation was a dismal 44th. Just meeting the national average would have meant an additional $7.25 billion in wealth created in the Commonwealth. This slower rate of growth means a reduced share of the U.S. economy. In addition, U.S. growth in durable goods manufacturing was more than six times faster than in Pennsylvania.

Back to the basics

Pennsylvania should no longer be content with middle-of-the-road and in some cases, back-of-the-pack status. The goal of elected officials should be for a more competitive Pennsylvania. Job creators know what is needed to enable them to thrive.

According to the PA Chamber's 17th annual Economic Survey, 85 percent of respondents agreed that if Pennsylvania were to decrease the cost of doing business, employers could thrive in the state without extra economic incentives. Lowering the cost of creating a job requires cutting business taxes, regulatory burdens and health-care costs; improving the unemployment and workers' compensation systems; and reforming the state's unbalanced legal system.

Sixty-nine percent of businesses surveyed also rated reducing the cost of doing business as the most effective role that state government can play to foster a better business climate over increasing economic incentives and increasing public school spending to better train the work force.

Elected officials have a decision to make – keep Pennsylvania near the back of the pack or allow the Commonwealth to lead the field. The choice should be obvious.

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The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, with its membership representing more than 50 percent of the private workforce. More information is available on the Chamber's website at www.pachamber.org